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Dear Director of Finance

## **COMMON GOOD – LIST OF ASSETS**

You may be aware that the Local Government and Transport Committee of the Scottish Parliament has recently been considering three petitions on the recording, use and disposal of common good assets and funds.

In oral evidence to the Committee, the Deputy Minister for Finance gave a commitment to write to all councils reminding them to hold a record of all common goods assets and request that they make this information available to the public if asked. I am writing now on behalf of Mr Lyon in fulfilment of that commitment.

It is clear that the responsibility for managing common good assets rests with local authorities as set out in the Local Authorities (Property Transfer) (Scotland) Order 1995 (SI 1995/2499) made under section 15 of the Local Government etc (Scotland) Act 1994. This provided that, on 1 April 1996, any common good property should transfer to the authority covering the Burgh whose Common Good that property formed part on 15 May 1975.

The Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice (SORP) requires common good accounts to be shown separately. I understand that the Local Authority Scotland Accounts Advisory Committee (LASAAC) is currently undertaking a review of the current accounting arrangements for the common good fund.

More broadly, robust asset management is a vital part of being an efficient organisation as having the right assets in the right place can make the difference between good and poor service delivery. There is an urgent wider need to improve the quality and status of asset management by local authorities – of which improving management information is a key first step. Audit Scotland, in their recently published Overview of the Local Authority Audits 2006, has pointed out that:

“Councils are responsible for common good funds within their area and for ensuring that common good assets are properly recorded and insured. These are audited as part of the councils’ accounts, taking account of the nature and value of assets held. Councils’ 2005/06 accounts show net assets in common good funds of £189 million, with annual expenditure in the order of £10 million. To discharge their stewardship responsibilities, councils need to maintain accurate asset registers which identify common good assets as such, distinct from the general body of assets under council control.”

Asset management is one of the 5 work-streams identified in the Efficient Government Plan as aiding long term transformation of the public sector. That is why the importance of asset management was stressed in Mr McCabe’s letter to COSLA of 13 December 2006. In reply, the President of COSLA, Cllr Pat Watters, confirmed that a programme of work is already in place to improve councils’ ability to manage their assets effectively.

A key condition of the additional capital grant being provided to councils in 2007-08 is that a report on progress made on asset management planning be provided. It would appear evident that, for councils to fully maximise the potential of their assets, they must hold accurate records of the assets they are responsible for. This would include those assets held for the Common Good.

COSLA has already undertaken a survey to establish if local authorities have asset management plans in place and/or what activity is taking place in this area. A report of the survey results is due to be published and any actions recommended are likely to be co-ordinated primarily by the Improvement Service.

Turning to the question of accessibility of information to the public, local authorities are bound by the duty of Public Performance Reporting (section 13 of the Local Government (Scotland) Act 2003 refers). Neither the 2003 Act nor supporting guidance explicitly requires local authorities to provide information about the common good records. Nevertheless, the recent debates about common good assets and funds suggests that this is an issue which is of some public interest and local authorities may wish to reflect on this in considering how they fulfil their public performance reporting obligations.

Existing guidance on Best Value in Local Government consciously does not stipulate how local authorities should behave on an issue-by-issue basis, such as in how common good funds and assets are recorded and how this information is made publicly accessible. Instead it sets out general principles for councils to reflect upon in exercising their powers and fulfilling their responsibilities under statute and to their local populations.

As stated above, work is already in hand to promote improved standards of asset management by local authorities, while LASAAC is reviewing the current accounting arrangements for the common good fund. In relation to Best Value principles, we would welcome views on how well existing guidance achieves the aim of assisting but not directing local authorities in meeting their obligations in relation to the common good. We would be happy to consider the need for more detailed guidance should there be clear demand for this.

If you have any queries on the above, or views about the need for additional guidance to assist councils in meeting the obligation to hold a record of all common goods assets and in making this information available to the public if asked, please get back to me.

I am copying this letter to your Chief Executive, and also to Janine Botfield at COSLA and Caroline Innes at East Renfrewshire Council on behalf of SOLACE Scotland.

Yours sincerely

**DAVID MILNE**  
**Head of Best Value & Performance Team**